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C O N F I D E N T I A L SECTION 01 OF 03 OTTAWA 001371

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SUBJECT: PARLIAMENTARY MELTDOWN WHILE THE SHARKS CIRCLE

Classified By: POLMINCOUN Brian Flora, reasons 1.4 (b) (d)

11. (C) Summary: The Conservatives continue to press the Liberals to allow a vote in the House of Commons that would let them attempt to bring down the government, but the Liberal leadership has thus far skillfully maneuvered around the circling sharks. Speaker Milliken announced today that the Conservative motion put forward in the Public Accounts Committee which calls on the government to resign was in order and could come to a vote on May 18, but Liberal leaders have suggested that this might not be considered a confidence motion. Meanwhile the Liberals will put their budget out for debate next week; vote on this bill could also bring the government down the week of May 16. When it does come to a vote, it is no longer clear the Conservatives and Bloc have the votes to win -- the contest will be in the hands of two Independents and two Conservatives whose cancer treatments make it difficult for them to travel. Meanwhile the Gomery inquiry continues to chip away at the "Liberal brand," with testimony coming closer to the Prime Minister and the then inner circle of the Liberal Party. The Liberals are fighting back politically by spending money, large sums of it, on the kinds of social programs many Canadians fear the Conservatives would be less enthused about, and raising the specter of a Conservative-Bloc alliance that would harm national unity. End Summary.

SPRING ELECTIONS COMING  
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12. (C) There is a growing sense here that the question is not if there will be a spring election but precisely when. The Conservatives have not backed down from their intention to go to the polls -- coming out of their caucus on May 2 Conservative Leader Harper said the government "should face the House of Commons in a vote at the earliest possible opportunity." He ignored the hesitation on the part of some members of his caucus, notably North Toronto MP Belinda Stronach, who expressed the belief that going to the polls before the passage of the budget would upset many Ontarians who were counting on the release of infrastructure and social funding. The Conservatives have since pushed the government to bring the budget forward for a vote which would be their first opportunity to bring the government down.

13. (SBU) There are a number of opportunities lining up for the Opposition to express a lack of confidence in the Government but the Liberals still control the agenda. Political analyst Bruce Campbell told Poloff that he believes the Liberals would rather see the government fall over a budget vote than a straight up no-confidence motion, as this would help them in their campaign as the guys who just wanted to make government work but were thwarted by the sneaky Conservative-Bloc alliance. In Question Period May 5 when Government House Leader Valeri was asked by Opposition House Leader Jay Hill to clarify when he would bring the budget to the floor, he said he would do so next week. Depending on how much debate the bill elicits, it could come to a vote the week of May 16 (theoretically even sooner, but it is difficult to see it making it to the floor in less than a week). Valeri did not clarify when he would allow for the remaining six opposition days, but Speaker Milliken cleared the way May 5 for the Conservative motion in the Accounts Committee that calls on the Government to resign to be brought before the House on May 18. Valeri told reporters, however, that he did not consider this a vote a no confidence.

14. (SBU) There have been rumblings about the Liberals wanting to defer any possible no-confidence motions until after the Labrador bi-elections on May 24, but the National Post's John Ivison points out that the projected Liberal winner for this seat would not actually be sworn in until mid-June, too late to come to the help of the beleaguered Liberals.

RUNNING THE NUMBERS  
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15. (C) All sides continue to run the numbers and keep their members close to Ottawa for any upcoming votes. The Liberal-NDP coalition, with Independent Carolyn Parrish, is at 151 (not counting Speaker Milliken, who only votes in a tie). The Conservatives and Bloc have 153 but two Conservatives are ill with cancer and may have difficulty getting to Ottawa for a vote, especially on short notice. The two key votes then, become the two remaining

independents. Chuck Cadman has flip-flopped so many times that it is impossible to tell which way he will vote. David Kilgour recently left the Liberal Party in disgust but has not declared which way he would vote; he was recently given support for his Sudan initiative by the PM, something he cares far more about than Parliamentary politics. He told PolMincouns May 5 that he really was still undecided and was fed up with the whole game.

16. (SBU) There are some signs of desperation. Earlier in the week Tory MP Inky Mark accused a Liberal cabinet minister of trying to buy his vote with an appointment as an Ambassador, and Deputy Conservative Leader MacKay suggested that there were four other Tories who were offered patronage appointments by the Liberal Government. Treasury Board President Reg Alcock vigorously denied the accusation. In the end, the numbers could go either direction, which is probably why the Conservatives are trying to line up multiple opportunities to bring the government down.

ONE DAY YOU'RE UP, THE NEXT DAY YOU'RE DOWN  
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17. (SBU) Opinion polls continue to vacillate. After leading the Liberals for several weeks, a poll conducted by the Strategic Council for the Globe and Mail between April 24 and 27 showed the Liberals once again in the lead at 30 percent, with the Conservatives at 28, NDP at 18, and Bloc at 14. A Pollara poll conducted between April 27 and May 1, however, had the Conservatives ahead of the Liberals, 36 to 31 (with the NDP at 17 and the Bloc at 15). Significantly, most polls still show the choice of voters in Ontario (which has 106 of 308 seats) to be the Liberals. An Ipsos Reid poll conducted the weekend of 30 April had Ontario Liberals ahead of the Conservatives 40 to 33, and the Pollara poll had the Liberals ahead 41 to 36.

18. (C) Another key polling question however, was whether Canadians are ready to go to elections. Most polls have been consistent in assessing they do not, but another Pollara poll conducted between April 25 and May 1 could indicate the first sign of a shift. It shows that 45 percent of respondents support a spring election, compared to 41 percent who do not. There seems to be a growing sense of resignation and a sense that the current governing situation is largely dysfunctional in a way that only an election can fix. "Might as well get it over with" appears to be the trend.

PARLIAMENTARY MELTDOWN  
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19. (C) In the midst of all this, Parliament is in a state of near meltdown, with Question Period so raucous that half the time is spent with Speaker Milliken trying to calm the MPs down to listen to questions and responses, and the other half spent with MPs trading increasingly nasty barbs. Calls for resignations or firings have become commonplace. The past two days have seen the Conservatives call on PM Martin to fire the Immigration Minister after he called the Conservative Party a modern Ku Klux Klan, and May 5 the Finance Minister called for the resignation of the Finance Critic, a somewhat bizarre suggestion, even in a Parliamentary system. The noise level in Parliament has become shrill, and even seemingly little things such as calling a truce in order that Canada's leaders could attend VE commemorations, took immense wrangling to accomplish (and even after the agreement was struck the Conservatives apparently tried to break it by calling for a no-confidence vote on the day the official party was supposed to be in the Netherlands). The image is increasingly of a Parliament that simply doesn't work.

THE CAMPAIGN IS UNDERWAY  
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10. (C) The parties, meanwhile, are doing whatever they can to maneuver for position in advance of the coming election. The Liberals are doing so with money, the Conservatives with Gomery. Since his historic speech April 21 in which he apologized for the sponsorship scandal and appealed to Canadian voters to allow him to call an election 30 days after the Gomery commission ended in the fall, PM Martin has transitioned from looking beleaguered and tired, to being all smiles. He rolled out a CN \$35 million child-care program in Manitoba and Saskatchewan, the leading edge of a CN \$5 billion national childcare program that he insists will be at risk if the Conservatives take over. Ontario also signed a child-care program which will yield CN \$280 million for programs this year, and another agreement with Ontario will provide CN \$301 million for low income housing. There are dozens of other spending initiatives being announced from coast to coast -- 72 projects in a week according to the National Post, everything from homeless shelters to dredging of fishing harbors. The Conservatives have been calling it Paul Martin's non-election promises, and post a running total of recent Liberal spending on their website -- currently at

CN \$7,566,039,483 (although since it is not broken down it would take a high level of trust or cynicism to believe this figure, which appears to include a good deal of normal government spending). On the margins of spending money, the Liberals do everything they can to inflate the specter of a hidden agenda by the Conservatives, attacking their health care policies and stances on social issues. In addition, they are focusing on the alliance between the Conservatives and the separatist Bloc and its potential for undermining national unity.

11. (C) The Conservatives do not have such deep pockets so they have been focusing their pre-campaign on the Gomery inquiry. As he did during the Brault testimony, which for the first time began to lay out the extent of Liberal party corruption in the adscam scandal, Conservative leader Harper rose May 5 in Question Period with a simple question for the PM. If Mr. Guite testified that the PM was involved in channeling contracts to Liberal supporters, will the PM himself finally stand and simply admit it before the House. The PM gave his standard answer, that he never interfered with the awarding of contracts, and Public Works Minister Brison later chided the Conservatives for putting so much stock in "testimony from the dubious (Guite) about the deceased (Tremblay - who ran the sponsorship program from 1999-2001)."

#### GOMERY INQUIRY -- DEATH BY A THOUSAND CUTS

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12. (C) The Guite testimony does, however, appear to be significant, and is sure to hurt the Liberals further. Chuck Guite was the federal bureaucrat who administered the sponsorship program until he resigned in 1999, and was at the heart of the scandal. After three days of testimony, the publication ban was lifted and his allegations were sprayed over the front pages of Canada's dailies -- "Guite's Sordid Tales" in the National Post, "Guite Points the Finger" in the Globe and Mail, and "Grits Abused, Manipulated Lucrative ad Contracts: Guite," from the Ottawa Citizen. Guite was strategic in his testimony, unlike the tactical, detailed testimony of Mr. Brault. But it was just as damaging for the "Liberal brand," as pundits here are calling it.

13. (C) Guite said that there was a certain flexibility built into the sponsorship program, and advertising contracts in general, such as excluding price considerations when selecting agencies for contracts. "I will be very blunt," he said, "it's because they can't get their agencies that ran their campaign. A campaign is run by communication agencies and advertising agencies. And when the campaign is over and they have won, they want payback." In the piece of his testimony that the Conservatives have clued in on, he indicated that then Tourism Minister John Manley and then Finance Minister Paul Martin intervened to ensure that a contract with a key Liberal supporter would not be discontinued.

14. (C) The Gomery inquiry continued May 5 with the testimony of Michel Beliveau, former Director General of the Liberal Party of Quebec, who detailed how sponsorship money was funneled back into the party through Liberal organizer and Chretien friend Jacques Corriveau. The intent was to try to win back the "orphan ridings" that had been lost to the Bloc Quebecois. Beliveau said he was approached by Corriveau and asked how much money he would need to win these ridings back and when he told him \$300,000, he was later given the money in cash in a single envelope. When asked whether he thought there were any irregularities in this procedure, he replied, "Yes, I never gave them a receipt."

15. (C) Comment: It is all about the timing of an election and the issue that takes the government down. The Liberal's optimal scenario was to avoid an election until the late fall in the hopes that anger over Gomery would subside. Failing that they would apparently like to see the government fall over the budget rather than a no-confidence motion, but as late as possible so that Canadians will blame the Conservatives for an election during cottage season. The Conservatives would prefer to bring the government down as soon as possible on a no-confidence motion, in order to set the stage for an election fought over the issue of integrity.

15. (C) Comment, cont'd: At this point trying to forecast with any precision what will happen next is like nailing jello to the wall -- the polls fluctuate daily, the timing of the election is up in the air, and in any case, the vote could go either way. Still, the Liberals can't delay a vote forever, and the week of May 16, specifically May 18 and 19 continue to be the favorite prediction of politicians and pundits for either a budget vote or a vote of no-confidence. How it turns out will then be in the hands of Independents Cadman and Kilgour, and the two cancer-stricken Conservatives.

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